

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2270**

January 18, 2012

**SUMMARY OF BILL:** Requires each local education agency's (LEA) maintenance of effort (MOE) to equal the total local operating funds for the prior school year, excluding capital outlay and debt service, multiplied by the Consumer Price Index (CPI) for the prior school year. Prohibits an LEA from submitting a budget to the local legislative body that directly or indirectly supplants or proposes to use state funding to supplant any of the LEA's maintenance of effort. Requires the local tax rate for school purposes be sufficient to fund the required MOE. These provisions will be effective in the 2013-14 school year but shall not apply to a new LEA in any county where the city and county LEAs are being combined until three years after the creation of the new LEA.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Not Significant**

**Increase Local Expenditures - \$38,616,600/FY13-14**

**Exceeds \$38,616,600/FY14-15 and Subsequent Fiscal Years\***

Assumptions:

- The current MOE test requires the local funding body to appropriate funding in an amount equal to the amount budgeted in the prior fiscal year. MOE can be decreased when enrollment has declined.
- Currently, local funding increases above and beyond the prior year MOE are at the discretion of the LEA.
- In cases where the annual local increase in MOE is less than the CPI, local governments will be required to increase expenditures to match the CPI percentage from the prior fiscal year.
- According to the Department of Education, in FY11-12 the statewide local MOE, excluding capital outlay and debt service, was \$2,977,259,738.
- The local MOE statewide in FY11-12 was increased 2.13 percent (\$63,415,632) by discretionary local MOE funding while the Consumer Price Index (CPI) was 3.4 percent. To meet the bill's requirements, total MOE funding would be increased an additional 1.27 percent (3.4 percent – 2.13 percent).
- The MOE growth and CPI percentages will be relatively constant from FY11-12 to FY13-14.

- Increases in annual local government MOE expenditures will be based on the prior fiscal year's CPI percentage and MOE funding.
- With a discretionary increase of 2.13 percent annually, the total statewide local MOE funding in FY12-13 will be \$3,040,675,370 (\$63,415,632 + \$2,977,259,738).
- Beginning in FY13-14 and subsequent fiscal years, the statewide MOE will be raised at least an additional 1.27 percent to match the CPI index.
- The mandatory increase in local funding in FY13-14 will be \$38,616,577 (3,040,675,370 x 1.27%). Increases local expenditures in FY14-15 and subsequent fiscal years will exceed this amount.
- No change in the BEP funding formula. No increase in state expenditures.
- Provisions shall not apply to the new combined Memphis City-Shelby County LEA until three years after the merger.

*\*Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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